



To the Mayor and Members of the City Council

June 6, 2017

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SUBJECT: FINAL RESULTS OF 2017A WATER AND SEWER REVENUE REFUNDING AND IMPROVEMENT BONDS

This informal report is intended to provide the Mayor and City Council with a summary of the results from our Series 2017A Water and Sewer Revenue Refunding and Improvement bond sale, which was completed on Tuesday, May 23, 2017. As shown in more detail below, the sale resulted in a lower-than-anticipated true interest cost and present value savings that were more than half a million dollars greater than projected.

Background

At a Work Session briefing on April 4th, staff presented the proposed Series 2017A debt financing, including a new money issue and refunding. The City's proposed issuance included refunding existing debt to take advantage of current market conditions to produce savings. The issuance of new debt to generate funds for improvement occurred in alignment with our existing capital improvement plans for the Water and Sewer System.

On May 9th, the Mayor and Council approved the 30th supplement bond ordinance authorizing the sale of Water and Sewer System Revenue Refunding and Improvement Bonds, Series 2017A. The ordinance included parameters which required specific minimum savings to be realized in order for the sales of refunding debt to be consummated.

The City offered the debt utilizing a competitive sale process with the assistance of our co-financial advisors, FirstSouthwest, a Division of Hilltop Securities Inc., and Estrada Hinojosa & Co. Results of the bond pricings are highlighted on the following pages.

Overview of Pricing

The City's Water and Sewer System issue (AA+/Aa1/AA) priced with an average life of 15.623 years and a True Interest Cost (TIC) of 3.33%. To summarize the transaction, the City sold a total of \$111,600,000 in bonds to fund various improvements to the Water and Sewer System totaling \$100,000,000 and to refinance the City's outstanding Series 2008 Water and Sewer bonds for cash flow savings. The Series 2017A bonds were sold with a premium such that the total proceeds generated was \$120,877,978.

Bids were received from eight firms. The chart below depicts the firm and the associated true interest cost:

<u>Bidder</u>	<u>TIC</u>
Bank of America Merrill Lynch	3.3376%
Wells Fargo Bank, National Association	3.3636%
Frost Bank	3.3715%
Citigroup Global Markets Inc.	3.3734%
Hutchinson, Shockey, Erley & Co.	3.3928%
J.P. Morgan Securities LLC	3.3975%
Raymond James & Associates Inc.	3.4005%
Mesirow Financial Inc.	3.4045%

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REFUNDING AND IMPROVEMENT BONDS****Bank of America Merrill Lynch was the winning bid.**

A summary of the final results compared to the original estimates is provided below:

Summary of Financing Results	May 9th Work Session Projection	Parameters	Final Results
Total Issue Size	\$109,320,000	Not to Exceed \$120,000,000	\$111,600,000
New Money Proceeds	\$100,000,000	Not to Exceed \$100,000,000	\$100,000,000
Total Debt Service Savings	\$1,122,267		\$1,746,600
True Interest Cost	4.01%		3.33%
Net Present Value (PV) Savings	\$879,981.28	More Than: \$594,000	\$1,535,886.34
PV Savings as % of Refunded Principal	4.44%	More Than 3.00%	7.76%

If you have any questions, please call Aaron Bovos, Chief Financial Officer, at 817-392-8517.

**David Cooke
City Manager**